

SB 121

Alaska Pensions

Retirement choices for the Last Frontier

New hires get a choice

- SB 121 creates a new defined benefit tier
 - New hires can choose a guaranteed benefit or to control their money
- The new tier is:
 - cost neutral
 - more predictable
 - shares risk
- Those who serve Alaskans can choose the retirement plan that fits their service

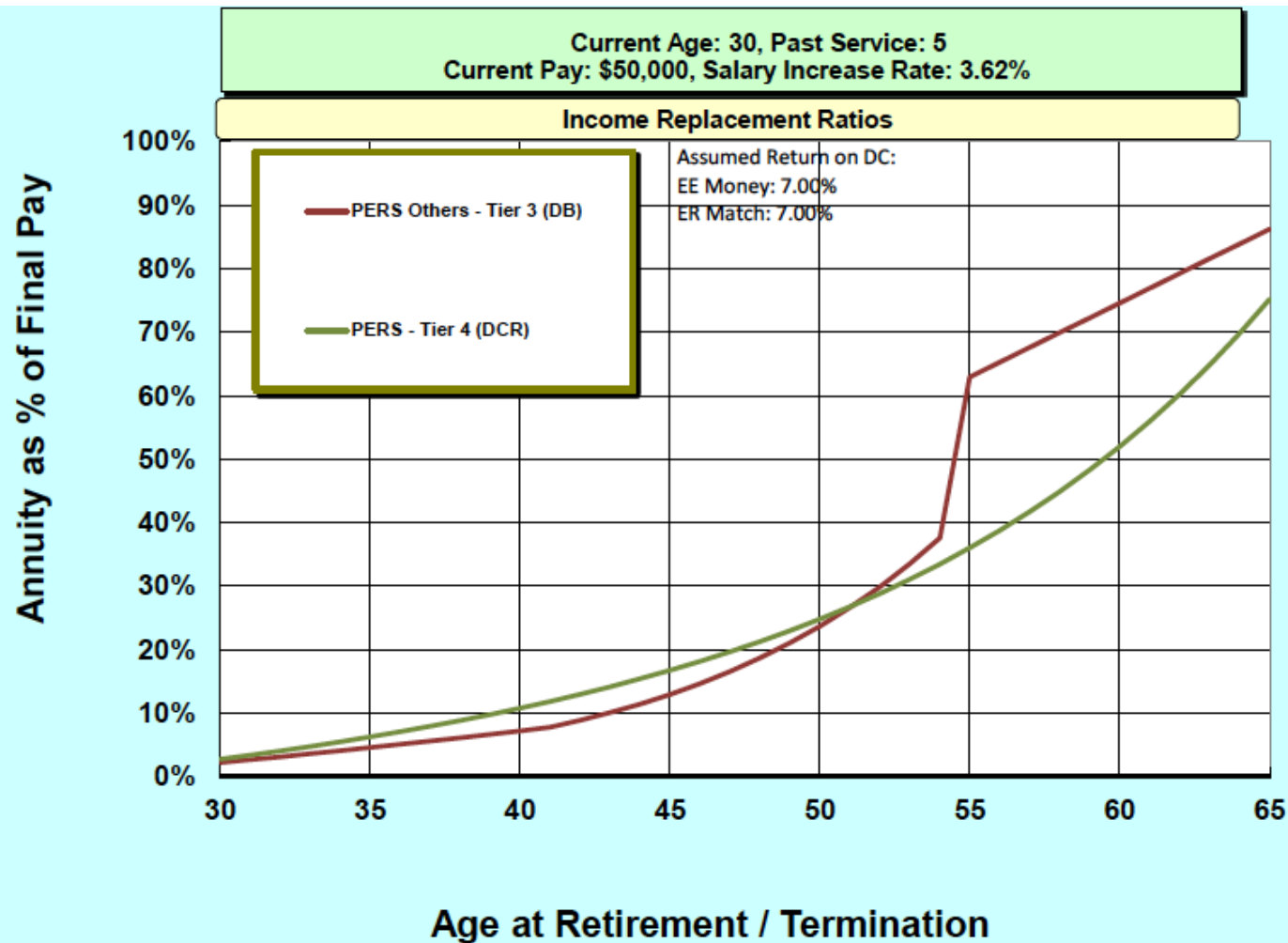
All Alaskans Benefit

- A choice of retirement plans gives states & cities the tools to recruit and retain.
 - They can deliver the best value for public dollars.
- The national employment situation is improving.
 - How does Alaska remain competitive?
 - Keeping good employees and attracting better.
- Economic impact of Defined Benefit pensions – total economic impact to Alaska of \$1.4 billion.

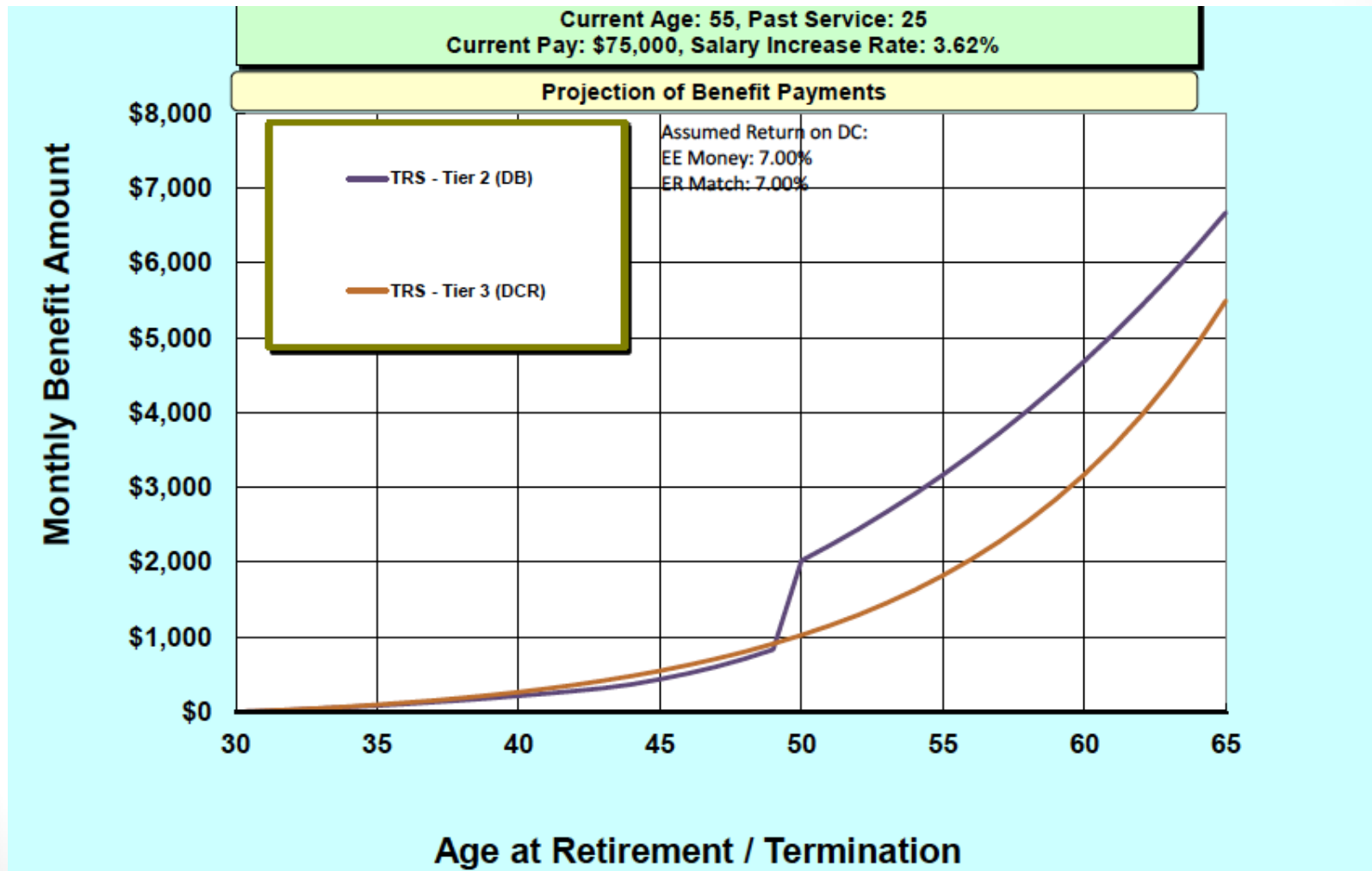
A balanced approach

- Each system has strengths:
 - Defined benefits means knowing how much you'll have
 - But you can't strike it rich
 - And it takes a long time to earn
 - Controlling your investments lets you 'beat the street'
 - And you can take it with you when you leave
 - But there are no guarantees

Two PERS employees:



Two TRS Employees:



What Stays the Same?

- The Defined Contribution systems do not change.
- The 2005 safeguards remain in place
- DB pension benefits
- Health plan coverage.

What's different?

- Most employees pay more into the new tier
- It takes longer to earn retiree health insurance
 - Medicare eligibility for most
 - Cost sharing
 - Risk Sharing
- DB retirement eligibility similar to DC tiers.
- DC employees get one chance to switch.

A responsible approach

- SB 121's new tier adjusts so it doesn't cost more than DC tiers
- SB 121 takes longer to earn retiree health insurance
 - Eliminates the most expensive years for most retirees
 - Shares the cost
 - Shares the risk until the employee retires
- Conversions to the new tier at employee's option – and cost.
- All the 2005 safeguards remain:
 - Review by a second actuary
 - Minimum salaries for elected officials
 - Experience studies
 - ARM Board
 - No paying less than the cost
 - Refunding DB contributions is permanent

More for Alaskans' Money

- Professional managers earn more
- No added costs – we're already running two systems
- \$762 million/year in DB benefits are a shock absorber for the Alaska economy
- Employees who prefer portability and control have a choice
- Cities, school districts, and the state have excellent recruiting tools

Cost Neutral

State of Alaska
Summary of Normal Costs for New Tier Members under CS SB 121 R.2 DB/DC Choice Proposal
(\$ in thousands)

Teachers' Retirement System

			Employer		Increase in	Total	Employer	Healthcare Normal	Inc. Retiree	Employer	Healthcare Normal	Employer	Employer	Employer	Employer	DB / DCR	Pension	Healthcare	
	Headcount	Salary	Pension	Healthcare	Retiree	Employer	Pension Normal	Cost Rate	Premium	Healthcare Normal	Cost Rate	DCR Contribution	DCR Contribution	DCR Contribution	DCR Contribution	Cost	Cost	Cost	
			Normal Cost	Normal Cost	Premium	Normal Cost	Cost Rate	(% of Pay)	(% of Pay)	Cost Rate	(per member)	Pension Rate	PensionAmount	Healthcare Rate	Healthcare Amount				DCR Contribution
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FY16	2,016	\$120,847	\$3,426	\$7,779	\$0	\$11,205	2.84%	8.45%	0.00%	8.45%	\$3.88	7.00%	\$8,445	3.49%	\$4,211	\$12,658	(\$1,451)	(\$5,019)	\$3,588
FY17	2,883	182,878	4,828	10,843	0	15,469	2.84%	8.68%	0.00%	8.68%	4.07	7.00%	11,401	3.49%	5,684	17,085	(1,818)	(8,775)	5,159
FY18	3,249	205,081	5,824	14,134	0	19,958	2.84%	8.89%	0.00%	8.89%	4.35	7.00%	14,358	3.49%	7,157	21,513	(1,555)	(8,532)	8,977
FY19	3,795	248,042	7,044	17,375	0	24,419	2.84%	7.00%	0.00%	7.00%	4.58	7.00%	17,383	3.49%	8,857	28,020	(1,801)	(10,319)	8,718
FY20	4,307	291,985	8,282	20,887	0	28,959	2.84%	7.08%	0.00%	7.08%	4.80	7.00%	20,439	3.49%	10,180	30,829	(1,870)	(12,147)	10,477
FY21	4,788	336,988	9,570	24,013	0	33,583	2.84%	7.13%	0.00%	7.13%	5.02	7.00%	23,588	3.49%	11,780	35,348	(1,785)	(14,018)	12,253
FY22	5,249	383,725	10,898	27,811	0	38,709	2.84%	7.25%	0.00%	7.25%	5.30	7.00%	26,881	3.49%	13,392	40,253	(1,544)	(15,983)	14,419
FY23	5,887	431,831	12,284	31,823	0	44,087	2.84%	7.37%	0.00%	7.37%	5.60	7.00%	30,228	3.49%	15,071	45,299	(1,212)	(17,984)	16,752
FY24	6,097	481,032	13,681	35,831	0	49,492	2.84%	7.45%	0.00%	7.45%	5.88	7.00%	33,872	3.49%	16,788	50,480	(988)	(20,011)	19,043
FY25	6,480	531,222	15,087	40,120	0	55,207	2.84%	7.55%	0.00%	7.55%	6.19	7.00%	37,188	3.49%	18,540	55,728	(518)	(22,098)	21,580
FY26	6,837	582,733	16,550	44,812	34	61,128	2.84%	7.68%	0.01%	7.65%	6.53	7.00%	40,791	3.49%	20,337	61,128	0	(24,241)	24,241
FY27	7,174	635,207	18,040	49,485	891	68,634	2.84%	7.79%	0.14%	7.65%	6.80	7.00%	44,485	3.49%	22,189	68,634	0	(26,425)	26,425
FY28	7,498	689,011	19,588	54,790	2,081	72,277	2.84%	7.85%	0.30%	7.65%	7.31	7.00%	48,231	3.49%	24,048	72,277	0	(28,883)	28,883
FY29	7,799	743,880	21,128	60,326	3,419	78,033	2.84%	8.11%	0.48%	7.65%	7.73	7.00%	52,072	3.49%	25,881	78,033	0	(30,948)	30,948
FY30	8,085	799,783	22,713	66,048	4,888	83,895	2.84%	8.28%	0.81%	7.65%	8.17	7.00%	55,983	3.49%	27,812	83,895	0	(33,270)	33,270
FY31	8,354	858,891	24,338	72,381	6,810	89,887	2.84%	8.44%	0.78%	7.65%	8.88	7.00%	59,982	3.49%	29,805	89,887	0	(35,848)	35,848
FY32	8,603	914,224	25,984	78,257	9,319	95,902	2.84%	8.67%	1.02%	7.65%	9.21	7.00%	63,998	3.49%	31,808	95,902	0	(38,032)	38,032
FY33	8,833	972,321	27,614	86,577	12,185	101,998	2.84%	8.80%	1.25%	7.65%	9.80	7.00%	68,082	3.49%	33,934	101,998	0	(40,448)	40,448
FY34	9,048	1,031,391	29,292	94,183	15,282	108,193	2.84%	9.13%	1.48%	7.65%	10.41	7.00%	72,197	3.49%	35,998	108,193	0	(42,905)	42,905
FY35	9,245	1,081,487	30,998	101,815	18,318	114,495	2.84%	9.33%	1.68%	7.65%	11.01	7.00%	76,403	3.49%	38,082	114,495	0	(45,405)	45,405
FY36	9,429	1,152,862	32,741	109,813	21,819	120,935	2.84%	9.53%	1.88%	7.65%	11.85	7.00%	80,700	3.49%	40,235	120,935	0	(47,959)	47,959
FY37	9,804	1,215,058	34,508	118,883	25,931	127,480	2.84%	9.78%	2.13%	7.65%	12.38	7.00%	85,054	3.49%	42,408	127,480	0	(50,548)	50,548
FY38	9,787	1,278,271	36,303	128,840	30,852	134,091	2.84%	10.08%	2.41%	7.65%	13.17	7.00%	89,479	3.49%	44,812	134,091	0	(53,178)	53,178
FY39	9,823	1,342,783	38,134	139,358	38,837	140,855	2.84%	10.38%	2.73%	7.65%	14.04	7.00%	93,993	3.49%	46,882	140,855	0	(55,859)	55,859
FY40	10,089	1,408,719	40,008	151,028	43,280	147,774	2.84%	10.72%	3.07%	7.65%	15.00	7.00%	98,810	3.49%	49,184	147,774	0	(58,802)	58,802
FY41	10,211	1,478,294	41,827	164,021	51,084	154,884	2.84%	11.11%	3.48%	7.65%	16.08	7.00%	103,341	3.49%	51,523	154,884	0	(61,414)	61,414
FY42	10,347	1,545,182	43,883	178,058	59,851	182,090	2.84%	11.52%	3.87%	7.65%	17.21	7.00%	108,183	3.49%	53,827	182,090	0	(64,280)	64,280
FY43	10,478	1,618,133	45,898	193,384	69,750	189,532	2.84%	11.97%	4.32%	7.65%	18.48	7.00%	113,129	3.49%	56,403	189,532	0	(67,231)	67,231
FY44	10,807	1,689,400	47,979	209,834	80,395	177,218	2.84%	12.41%	4.78%	7.65%	19.78	7.00%	118,258	3.49%	58,980	177,218	0	(70,279)	70,279

SB 121: Good for Alaska

- I'm happy to take questions